



**CORRECTED
FISCAL MEMORANDUM**

SB 1104 - HB 1441

February 28, 2023

SUMMARY OF BILL AS AMENDED (004340): Enacts the *Tennessee Medical Cannabis Act* (Act), which legalizes and decriminalizes, licenses and regulates the possession, consumption, cultivation, processing, purchase, transportation and sale of medical cannabis, including the extraction of any part of the plant, and every compound, derivative, mixture, product or preparation of the plant for any qualifying patient who has been assessed by a medical care practitioner as having a qualifying medical condition and has successfully applied for a medical cannabis card. Requires qualifying patients to pay a registry identification card issuance fee of \$65 at issuance and every two years thereafter at renewal. Authorizes qualifying patients to acquire, possess, or use a medical-infused product, but not the use of raw plant material, or any product administered by smoking, combustion, or vaping, or a food product that has medical cannabis baked, mixed, or otherwise infused into the product, such as cookies or candies.

Authorizes the cultivation, processing, and sale of medical cannabis in any county or municipality; however, the appropriate legislative body of any such jurisdiction may ban the cultivation, processing, manufacture, or sale of medical cannabis within its jurisdiction by a two-thirds majority vote of the body no later than August 31, 2023.

Creates the Tennessee Medical Cannabis Program Commission (Commission), composed of 12. Requires during the first 12 months after commencement of meetings to meet at least two meetings held monthly. After such 12-month period, meetings must at least be held monthly. Requires the Commission to oversee the medical program established by this Act. Authorize the Commission to appoint an executive director and an assistant director. Directs the Commission be administratively attached to the Department of Agriculture (DOA) and for the department to appoint a chief inspection and enforcement officer. Requires members of the Commission to receive \$700 per meeting attended and to be reimbursed for their actual and necessary expenses, including travel expenses. Requires the Commission to:

- Publish application forms and procedures for obtaining all patient and caregiver medical cannabis cards;
- Establish an integrated, electronic registry system to track the medical cannabis card application process through issuance or denial;
- Procure and utilize a secure, online system for patient registration and seed-to-sale tracking; and
- Provide annual written reports, with the first due no later than July 31, 2024, which must be made publicly available and be posted on the Commission's website.

Creates a Class C misdemeanor offense for any Commission member or employee to have a direct or indirect fiduciary interest in a cannabis establishment, or whom has accepted a gift, favor, merchandise, donation, contribution, or any article or thing of value, from a person licensed by the Commission.

Establishes two types of provisional licenses, the urban omni license (UOL) and the rural vertically integrated license (RUVI). By no later than April 1, 2024, the Commission is limited to issuing three UOLs in counties having a population greater than 360,000 according to the 2020 federal census or subsequent census. Limits the number of UOLs which the Commission may issue statewide to 12. Authorizes each UOL licensee to own up to three dispensaries in its primary county. Establishes an application fee of \$85,000 for a UOL, \$15,000 of which is non-refundable; however, should the application be accepted and the entity issued licensure, the entire \$85,000 is non-refundable. In the event that a UOL is denied due to either the applying entity failing to provide all necessary information or for failure of the entity to pass the required on-site inspection, the Commission may determine that up to \$38,300 is non-refundable, to offset the administrative costs of the Commission. Prohibits UOLs from operating outside its primary county except that transportation of materials or product outside such county is authorized and sales to a RUVI licensee may occur upon receipt of a waiver by the Commission.

Limits the Commission, by no later than March 1, 2024, to issuing four RUVIs in each grand division of the state. Limits the number of RUVIs which the Commission may issue statewide to 12. Authorizes each UOL licensee to own up to three dispensaries in its primary county or an adjacent county. Establishes an application fee of \$45,000 for a RUVI; however, should the application be accepted and the entity issued licensure, the entire \$45,000 is non-refundable. If the application is denied, \$40,000 of the application fee is refundable; however, in the event that a RUVI is denied due to either the applying entity failing to provide all necessary information or for failure of the entity to pass the required on-site inspection, the Commission may determine that up to \$18,300 is non-refundable, to offset the administrative costs of the Commission. RUVIs are authorized to business activities in its primary county and to aggregate cultivation, processing, and manufacturing of medical cannabis in adjacent counties. Authorizes a RUVI licensee to work cooperatively with up to six additional entities or persons at six physical locations in order to cultivate, process, or manufacture medical cannabis, as long as necessary information is provided to the Commission and such entities reside in a primary or adjacent county.

Requires the Commission to issue provisional licenses by April 1, 2024; however, the issuance of such provisional licenses is conditional upon a successful on-site inspection. Final decisions to approve or deny either a UOL or RUVI must be made and published no later than June 30, 2024¹⁰.

Authorizes the Commission to, upon its rulemaking authority and based on market demand, issue additional licenses for dispensaries, cultivation facilities, and stand-alone processing or manufacturing facilities and for similar vertically-integrated operations.

Requires the DOA to perform statutory and regulatory inspection and enforcement requirements and that costs incurred by the department to perform these duties to be borne by the Commission.

Requires all owners, officers, board members, and managers of an entity applying for a UOL or RUVI to, during the application and operation process, pass a Federal Bureau of Investigation (FBI) level 2 background screening process.

Creates a special account in the State Treasury, to be known as the Medical Cannabis Fund (Fund). Requires all moneys collected from fees and a considerable portion of collections from taxes levied pursuant to this Act to be transmitted to the Department of Revenue (DOR) and be deposited in the Fund. Authorizes money in the Fund to be invested by the State Treasurer. Prohibits interest accrued on investments and deposits in Fund from reverting to the General Fund.

All sales of cannabis or cannabis products to qualifying patients are subject to a nine percent state sales tax and a local sales tax not to exceed two and one-tenth percent (2.1%).

Proceeds of the state sales tax shall be allocated as follows:

- 45 percent to the Fund;
- 25 percent to the DOA for programs and grants administered by the department that facilitate agricultural development in the state, including, but not limited to, the Agricultural Enterprise Fund and the Tennessee Agricultural Enhancement Program;
- 20 percent to the Department of Economic and Community Development (ECD) for community and rural development program grants administered by the ECD;
- 5 percent to the Peace Officer Standards and Training Commission (POST); and
- 5 percent to the Department of Veteran's Services (DVS) for programs administered by the department that provide treatment for veterans diagnosed with post-traumatic stress disorder.

Establishes an excise tax, exclusive to licensed UOLs, equal to 10 percent of net earnings earned in the preceding fiscal year.

Establishes that, upon determination by the General Assembly that the Commission has established sufficient revenues for the administration of this program, the General Assembly may direct the Department of Revenue (DOR) to transfer any excess balance in the Fund to the General Fund to repay any appropriation made by the General Assembly.

FISCAL IMPACT OF BILL AS AMENDED:

Due to an incorrect interpretation, the original fiscal memorandum, issued on February 26, 2023, was determined to be in error. The fiscal impact has been corrected as follows:

(CORRECTED)

**Increase State Revenue – \$2,300/FY23-24/General Fund
\$681,000/FY24-25/General Fund
\$2,042,600/FY25-26/General Fund
\$2,723,300/FY26-27 and Subsequent Years/General Fund**

**\$1,560,000/FY23-24/Tennessee Medical Cannabis Fund
\$8,460,900/FY24-25/Tennessee Medical Cannabis Fund
\$14,493,500/FY25-26/Tennessee Medical Cannabis Fund
\$21,756,500/FY26-27 and Subsequent Years/
Tennessee Medical Cannabis Fund**

**\$2,077,000/FY23-24/Department of Agriculture
\$6,231,000/FY24-25/Department of Agriculture
\$8,307,900/FY25-26 and Subsequent Years/
Department of Agriculture**

**\$1,661,600/FY23-24/Department of Economic and
Community Development
\$4,984,700/FY24-25/Department of Economic and
Community Development
\$6,646,000/FY25-26 and Subsequent Years/
Department of Economic and
Community Development**

**\$415,400/FY23-24/Peace Officer Standards and
Training Commission
\$1,246,200/FY24-25/ Peace Officer Standards and
Training Commission
\$1,661,600/FY25-26 and Subsequent Years/
Peace Officer Standards and
Training Commission**

**\$415,400/FY23-24/Department of Veterans Services
\$1,246,200/FY24-25/ Department of Veterans Services
\$1,661,600/FY25-26 and Subsequent Years/
Department of Veterans Services**

\$100/FY23-24/Secretary of State

\$8,900/FY22-23/TBI

\$700/FY23-24 and Subsequent Years/TBI

Increase State Expenditures

\$1,468,000/FY23-24/General Fund

\$1,447,600/FY24-25 and Subsequent Years/General Fund

\$1,808,900/FY23-24/Tennessee Medical Cannabis Fund

\$969,200/FY24-25/Tennessee Medical Cannabis Fund

\$909,500/FY25-26 and Subsequent Years/

Tennessee Medical Cannabis Fund

\$5,700/FY23-24/TBI

\$500/FY24-25 and Subsequent Years/TBI

Increase Local Revenue - \$1,938,500/FY24-25/Permissive

\$5,815,500/FY25-26/Permissive

\$7,754,000/FY26-27 and Subsequent Years/Permissive

Other Fiscal Impact – In order to comply with provisions of this legislation, the Tennessee Medical Cannabis Program Commission may have to purchase equipment and supplies or contract with a third-party vendor to accomplish the development and production of registry cards. The timing and extent of such expenditures are currently unknown.

It is assumed that this legislation may result in a decrease in state and local expenditures by decreasing jail and prison time for certain defendants; however, due to the fact that this legislation limits cannabis use by qualifying patients to certain cannabis-infused products, any such impact cannot be determined with reasonable certainty.

Assumptions for the bill as amended:

Licensing Revenue for Urban Omni Licenses (UOLs) and Rural Vertically Integrated Licenses (RUVIs):

- Sales of medical cannabis will assumingly begin on January 1, 2025.
- This legislation limits the number of UOLs that may be issued to 3 per any county having a population of more than 366,200, according to the 2020 federal census. This currently impacts four counties: Shelby, Davidson, Knox, and Hamilton. Therefore, a statewide limit of 12 UOLs (4 counties x 3 UOLs per county).
- This legislation limits the number of RUVIs to 12 statewide, or no more than 4 in each grand division of the state.
- The Commission is authorized to permit an increase in the number of licenses issued; however, for the purpose of this fiscal analysis, the limitations initially prescribed in this legislation are assumed to continue into perpetuity.
- This legislation sets an application fee of \$85,000 for a UOL and \$45,000 for a RUVI.

- Based upon denial and circumstances of any such denial, partial application fee provided by a UOL or RUVI could be refunded; however, for purposes of this fiscal analysis, it is assumed that all UOLs and RUVIs which apply will be issued licenses.
- There will be 12 UOL licenses and 12 RUVI licenses issued statewide. Such licenses will be issued prior to July 1, 2024, or in FY23-24.
- An increase in state revenue to the Fund in FY23-24 of \$1,560,000 [(12 UOLs x \$85,000) + (12 RUVIs x \$45,000)].
- It is assumed that at least one UOL and one RUVI will cease business operations each year and will each be replaced by a new UOL and RUVI.
- A recurring increase in state revenue to the Fund in FY24-25 and subsequent years of \$130,000 (\$85,000 + \$45,000).

Business Charters:

- All UOLs and RUVIs will be required to file a business charter with the Secretary of State's Office (SOS).
- Each individual UOL and RUVI will be able to operate multiple cultivation facilities, manufacturing facilities, testing facilities, and dispensaries within the appropriate primary county in which licensed and for RUVIs, counties adjacent to primary counties.
- It is assumed that one business charter will effectively cover all branches owned under any individual UOL or RUVI.
- The business charter fee is one-time at \$100.
- It is assumed that in FY23-24, there will be 24 businesses, comprised of 12 UOLs and 12 RUVIs, which will file business charters with the SOS.
- For purposes of this fiscal analysis, it is assumed that in FY24-25 and subsequent years, as some businesses are closed and others replace them, there will be approximately two new business charters filed with the SOS annually, one new UOL and one new RUVI.
- The resulting increase in state revenue is estimated to be \$2,400 in FY23-24 (24 x \$100) and \$200 in FY24-25 and subsequent years (2 x \$100).
- Revenue from charter fees is allocated 97 percent to the General Fund, and 3 percent to the SOS. The increase in state revenue to the General Fund is estimated to be \$2,328 in FY23-24 (\$2,400 x 97%) and \$194 in FY24-25 and subsequent years (\$200 x 97%). The increase in state revenue to the Secretary of State's Office is estimated to be \$72 in FY23-24 (\$2,400 x 3%) and \$6 in FY24-25 and subsequent years (\$200 x 3%).

Background Checks:

- Pursuant to Tenn. Code Ann. § 68-7-103(c) of the Act, each application for either an UOL or RUVI license must include a completed background check from each person who is proposed to be an owner, officer, board member, or manager of a proposed UOL or RUVI.
- The Tennessee Bureau of Investigation (TBI) charges a fee of \$37.15 to collect one sample of fingerprints and perform one criminal background check.
- Of the \$37.15, \$13.25 is forwarded to the Federal Bureau of Investigation to run a check, \$10.65 is forwarded to the vendor that collects the fingerprints, and \$13.25 is retained by the TBI to run a check through their system.

- The number of owners and operators applicable to each registered organization is unknown. It is assumed that, on average, there will be 10 individuals per registered licensee which will be required to submit to fingerprint testing and criminal background checks.
- In FY23-24, TBI will realize \$8,916 (24 licenses x 10 individuals x \$37.15) in revenue and expenditures of \$5,736 [24 licenses x 10 individuals x (\$13.25 + \$10.65)].
- In FY24-25 and subsequent years, TBI will realize \$743 (2 licenses x 10 individuals x \$37.15) in revenue and expenditures of \$478 [2 licenses x 10 individuals x (\$13.25 + \$10.65)].

Qualifying patients:

- For purposes of estimation, it is assumed that the number of jurisdictions which would seek to opt out of the provisions of this Act is few and that will take place during a regularly scheduled meeting.
- In determining the number of individuals who will participate in this program, the Department of Health (DOH) was contacted to determine who will qualify for a registry identification card due to having a qualifying medical condition, as defined in the Act.
- Based on previous information provided by the DOH, at least 1,200,000 individuals residing in Tennessee have a qualifying medical condition which would entitle such qualifying patients to seek a registry identification card.
- After Colorado passed Amendment 20 in 2000, those with certain qualifying medical conditions were able, beginning July 1, 2001, to possess up to 2 ounces of a usable form of marijuana and cultivate not more than 6 marijuana plants.
- In October 2009, federal resources to prosecute medical marijuana patients and caregivers who were in “clear and unambiguous” compliance with state law were decreased, effectively leading to a drastic increase in the number of dispensaries in the state, and thus, the number of registrants also increased drastically.
- The following shows the number of registrants (2009-2013) in Colorado as of January 31 of each year:
 - 2009: 5,051
 - 2010: 53,038
 - 2011: 118,895
 - 2012: 85,124
 - 2013: 108,056
- Due to this legislation’s immediate adoption of regulated cannabis establishments, the following figures estimate the number of individuals per fiscal year who either hold registry identification cards or are nonresident cardholders and thus, be eligible to purchase medical cannabis in Tennessee:
 - FY23-24: 60,000 individuals (1,200,000 x 5%);
 - FY24-25: 90,000 individuals (1,200,000 x 7.5%); and
 - FY25-26 and subsequent years: 120,000 individuals (1,200,000 x 10%).
- According to the Colorado Department of Revenue, retail sales of medical cannabis at the close of FY12-13 (12th program year), totaled \$328,646,922.
- As of June 30, 2013 (12th program year), the registry contained approximately 106,817 users possessing valid cards.

- The annual revenue realized per average card holder was \$3,077 (\$328,646,922 / 106,817 ID holders).

Revenue:

FY24-25 Tax Revenue:

- It is assumed that cannabis sales will effectively begin on January 1, 2025; therefore, sales of cannabis in FY24-25 are estimated to be equal to one-half of one year of estimated sales.
- Retail sales of medical cannabis in FY24-25 will be \$92,310,000 (60,000 x \$3,077 x 50%).
- It is assumed that companies within the industry pay taxes on average net profit of 15 percent. The net profit on which excise tax would be paid is \$13,846,500 (\$92,310,000 x 15%).
- This legislation requires RUVIs pay the current excise tax rate of 6.5 percent, while UOLs are required to pay an excise tax rate of 10 percent.
- All proceeds of the special 10 percent sales tax shall be allocated to the Fund.
- The state excise tax rate is 6.5 percent. An increase in state revenue attributable to excise tax collections will be \$450,011 to the General Fund (\$13,846,500 x 50% x 6.5%).
- This legislation establishes a 10 percent excise tax upon the net earnings of all UOLs.
- All proceeds of such excise tax shall be allocated to the Fund.
- For purposes of estimation, it is assumed that the revenue and thus, net profit of all UOLs, is equal to approximately half of total revenue and net profit experienced by all licensed UOLs and RUVIs.
- The increase in state revenue attributable to this excise tax collection will be \$692,325 to the Fund (\$13,846,500 x 50% x 10%).
- Net worth of these companies is estimated to be equivalent to annual sales (\$92,310,000). The franchise tax rate is \$0.25 per \$100 of value, so the increase in state revenue attributable to franchise tax collections will be \$230,775 to the General Fund [(\$92,310,000 / \$100) x \$0.25].
- This legislation establishes state sales tax of nine percent on sales of medical cannabis and authorizes a local option sales tax not to exceed two and one-tenth percent.
- State sales tax revenue in FY24-25 of \$8,307,900 (\$92,310,000 x 9%), allocated as follows:
 - \$3,738,555 to the Fund (\$8,307,900 x 45%).
 - \$2,076,975 to the DOA (\$8,307,900 x 25%);
 - \$1,661,580 to the ECD (\$8,307,900 x 20%);
 - \$415,395 to the POST (\$8,307,900 x 5%); and
 - \$415,395 to the DVS (\$8,307,900 x 5%).
- It is assumed that all local governments will opt into a full two and one-tenth percent sales tax; resulting in an increase in revenue in FY24-25 of \$1,938,510 (\$92,310,000 x 2.10%).

FY25-26 Tax Revenue:

- Retail sales of medical cannabis in FY25-26 will be \$276,930,000 (90,050 x \$3,077).

- It is assumed that companies within the industry pay taxes on average net profit of 15 percent; the net profit on which excise tax would be paid is \$41,539,500 ($\$276,930,000 \times 15\%$). The state excise tax rate is 6.5 percent, so the increase in state revenue attributable to excise tax collections will be \$1,350,034 to the General Fund ($\$41,539,500 \times 50\% \times 6.5\%$).
- For purposes of estimation, it is assumed that the revenue and thus, net profit of all UOLs is equal to approximately half of total revenue and net profit experienced by all licensed UOLs and RUVIs.
- The increase in state revenue attributable to the special excise tax collection will be \$2,076,975 to the Fund ($\$41,539,500 \times 50\% \times 10\%$).
- Net worth of these companies is estimated to be equivalent to annual sales (\$276,930,000). The franchise tax rate is \$0.25 per \$100 of value, so the increase in state revenue attributable to franchise tax collections will be \$692,325 to the General Fund [$(\$276,930,000 / \$100) \times \$0.25$].
- This legislation establishes state sales tax of nine percent on sales of medical cannabis.
- State sales tax revenue in FY25-26 of \$24,923,700 ($\$276,930,000 \times 9\%$), allocated as follows:
 - \$11,215,665 to the Fund ($\$24,923,700 \times 45\%$).
 - \$6,230,925 to the DOA ($\$24,923,700 \times 25\%$);
 - \$4,984,740 to the ECD ($\$24,923,700 \times 20\%$);
 - \$1,246,185 to the POST ($\$24,923,700 \times 5\%$); and
 - \$1,246,185 to the DVS ($\$24,923,700 \times 5\%$).
- Local sales tax revenue in FY25-26 of \$5,815,530 ($\$276,930,000 \times 2.10\%$).

FY26-27 and Subsequent Years Tax Revenue:

- Retail sales of medical cannabis in FY26-27 and subsequent years will exceed \$369,240,000 ($120,000 \times \$3,077$).
- It is assumed that companies within the industry pay taxes on average net profit of 15 percent; the net profit on which excise tax would be paid is \$55,386,000 ($\$369,240,000 \times 15\%$). The state excise tax rate is 6.5 percent, so the increase in state revenue attributable to excise tax collections will exceed \$1,800,045 to the General Fund ($\$55,386,000 \times 50\% \times 6.5\%$).
- For purposes of estimation, it is assumed that the revenue and thus, net profit of all UOLs is equal to approximately half of total revenue and net profit experienced by all licensed UOLs and RUVIs.
- The increase in state revenue attributable to the special excise tax collection will be \$2,769,300 to the Fund ($\$55,386,000 \times 50\% \times 10\%$).
- Net worth of these companies is estimated to be equivalent to annual sales (\$369,240,000). The franchise tax rate is \$0.25 per \$100 of value, so the increase in state General Fund revenue attributable to franchise tax collections will exceed \$923,100 [$(\$369,240,000 / \$100) \times \0.25].
- This legislation establishes state sales tax of nine percent on sales of medical cannabis.
- State sales tax revenue in FY26-27 and subsequent years of \$33,231,600 ($\$369,240,000 \times 9\%$), allocated as follows:
 - \$14,954,220 to the Fund ($\$33,231,600 \times 45\%$).
 - \$8,307,900 to the DOA ($\$33,231,600 \times 25\%$);

- \$6,646,320 to the ECD ($\$33,231,600 \times 20\%$);
 - \$1,661,580 to the POST ($\$33,231,600 \times 5\%$); and
 - \$1,661,580 to the DVS ($\$33,231,600 \times 5\%$).
- Local sales tax revenue in FY26-27 and subsequent years of \$7,754,040 ($\$369,240,000 \times 2.10\%$).

Revenue – Medical Cannabis Cards:

- All qualifying patients who register with the Commission must pay \$65 for the issuance of a medical cannabis card.
- Such cards expire two years from the date of issuance and can be renewed after payment of the \$65 renewal fee.
- It is assumed that the following number of medical cannabis cards will be issued per fiscal year:
 - FY24-25: 60,000 cards;
 - FY25-26: 90,000 cards; and
 - FY26-27: Exceeds 120,000 cards.
- It is assumed that in FY24-25, the number of issued cards will stay constant into perpetuity; however, new cardholders will replace those who have been issued a card but decide not to renew or no longer have a qualifying condition, as defined by the legislation.
- The following will be the registry identification card revenue by fiscal year:
 - FY24-25: \$3,900,000 (60,000 initial cards x \$65);
 - FY25-26: \$1,950,000 [(90,000 total cards issued – 60,000 previously issued cards) x \$65].
 - FY26-27: \$5,760,000 [(60,000 renewals x \$65) + (30,000 initial issuances x \$65)].
 - FY27-28 and subsequent years (annualized): \$3,900,000 [(120,000 cards issued x \$65) / 2 years].
- All fee revenue is required to be allocated to the Fund.
- For purposes of this fiscal note, it is assumed that this revenue stream will remain constant into perpetuity; however, the Commission is authorized to adjust such fee amount.
- It cost \$1.99 to print a card.
- The following will be the increase in expenditures to the Fund by fiscal year:
 - FY24-25: \$119,400 (60,000 initial cards x \$1.99);
 - FY25-26: \$59,700 [(90,000 total cards issued – 60,000 previously issued cards) x \$1.99].
 - FY26-27: \$179,100 [(60,000 renewals x \$65) + (30,000 initial issuances x \$1.99)].
 - FY27-28 and subsequent years (annualized): \$119,400 [(120,000 cards issued x \$1.99) / 2 years].
- To fully execute the provisions of this legislation, the Commission would need to either purchase proper equipment and hire additional staff or contract with a third-party vendor for the production and printing of the registry cards. It is unknown the total increase in expenditures to the Fund that would occur in FY23-24.

Expenditures:

Department of Revenue:

- The DOR will require one additional Tax Auditor-3 position to audit tax returns submitted from cannabis establishments.
- It is assumed that this new position will be filled on July 1, 2024 and the cost of such position will be paid out of the General Fund.
- There will be a one-time increase in state expenditures in FY24-25 of \$1,200 for a computer.
- There will be a recurring increase in state expenditures of \$107,865 (\$85,704 salary + \$21,531 + \$600 supplies) in FY24-25 and subsequent years.
- There will be a total increase in state expenditures of \$109,065 (\$107,865 + \$1,200) from the General Fund in FY24-25.
- There will be a recurring increase in state expenditures of \$107,865 from the General Fund in FY25-26 and subsequent years.

Tennessee Medical Cannabis Program Commission and Department of Agriculture:

- This legislation requires the Commission, consisting of 12 members, to hold a minimum of two meetings each month in the first 12 months, commencing no later than October 15, 2023; therefore, it is assumed that the Commission will meet two times per month, beginning in July 2023 through June 2024, or 24 meetings in FY23-24.
- According to information provided by DOH, the annual expenditures of the nine-member Medical Cannabis Commission is \$9,000.
- Assuming the Commission will have the same per person expenditures, there will be an increase in expenditures of \$12,000 $[(\$9,000 / 9 \text{ members}) \times 12 \text{ members}]$.
- The average cost per meeting is estimated to be \$1,000 $(\$12,000 / 12 \text{ meetings})$ and the average cost per meeting per member is \$83 $(\$1,000 / 12 \text{ members})$.
- Each member of the Commission will receive \$700 for each meeting attended and is authorized to be reimbursed for any necessary expenses, including travel.
- There will be an increase in state expenditures to the Fund in FY23-24 of \$225,504 $[(12 \text{ members} \times 24 \text{ meetings} \times \$700) + (3 \text{ members} \times \$83 \text{ per meeting} \times 24 \text{ meetings}) + (12 \text{ members} \times \$83 \text{ per meeting} \times 24 \text{ meetings})]$.
- It is assumed that the Commission will meet monthly in FY24-25 and subsequent years.
- There will be an increase in state expenditures to the Fund in FY24-25 and subsequent years of \$112,752 $[(12 \text{ members} \times 12 \text{ meetings} \times \$700) + (12 \text{ members} \times \$83 \text{ per meeting} \times 12 \text{ meetings})]$.
- This legislation requires that any costs incurred by the DOA in the administration of this medical cannabis program be borne by the Commission and such costs will be expensed from the Fund.
- The Act authorizes the Commission to appoint a director and an assistant director, and, in coordination with the DOA, appoint a chief inspection and enforcement officer who shall serve under the Commissioner of the DOA. The positions will be paid from the Fund.

- It is assumed that the DOA will hire two project director, one accountant-3 position, three agricultural enforcement officers, one administrative assistant-3, and nine food and dairy inspectors. These positions will be paid from the General Fund.
- It is assumed that these 20 new Commission and DOA positions will be filled around July 1, 2024 to enable the program to be properly prepared for when legal sales occur.
- There will be an increase in Fund expenditures of \$571,378 (\$443,317 salaries + \$110,261 benefits + \$11,800 supplies and travel + \$6,000 computers) in FY23-24.
- There will be a total recurring increase in Fund expenditures of \$565,378 (\$443,371 salaries + \$110,261 benefits + \$11,800 supplies and travel) in FY24-25 and subsequent years.
- There will be an increase in General Fund expenditures of \$1,358,968 (\$1,018,200 salaries + \$286,365 benefits + \$35,200 supplies and travel + \$19,200 computers) in FY23-24.
- There will be a total recurring increase in General Fund expenditures of \$1,339,768 (\$1,018,200 salaries + \$286,365 benefits + \$35,200 supplies and travel) in FY24-25 and subsequent years.
- In addition, this legislation requires the Commission to procure and utilize a secure, online system for patient registration and seed-to-sale tracking.
- Based on costs of similar tracking software, the cost to procure a system would be at least \$1,000,000 with a recurring cost of at least \$100,000 per year in the second and subsequent year of use.
- There will be an increase in state expenditures from the Fund in FY23-24 of \$1,808,882 (\$12,000 Commission expenditures + \$225,504 Commission compensation + \$571,378 personnel + \$1,000,000 system).
- There will be an increase in state expenditures from the Fund in FY24-25 of \$790,130 ((\$12,000 Commission expenditures + \$112,752 Commission compensation + \$565,378 personnel + \$100,000 system).
- There will be an increase in state expenditures from the General Fund in FY23-24 of \$1,358,968 and of \$1,339,768 in FY24-25 and subsequent years.

Impact on Incarceration/State and Local Court Costs:

- This legislation limits the uses of cannabis to certain cannabis-infused products. It is assumed that this legislation may result in a decrease in state and local expenditures by decreasing jail time for certain defendants; however, due to the limiting nature of this legislation, any decrease in expenditures cannot be determined with reasonable certainty.
- Prohibits from membership of the Commission or employment under the Commission any person having a direct or indirect fiduciary interest in a cannabis establishment, or whom has accepted a gift, favor, merchandise, donation, contribution, or any article or thing of value, from a person licensed by the Commission. A violation of this prohibition is a Class C misdemeanor offense.
- There will not be a sufficient number of prosecutions for state or local government to experience any significant increase in revenue or expenditures.

Total Fiscal Impacts:

General Fund – Revenue:

- There will be an increase in state revenue in FY23-24 of \$2,328 due to business charters.
- There will be an increase in state revenue in FY24-25 of \$680,980 (\$194 business charters + \$450,011 tax collection + \$230,775 franchise tax collection).
- There will be an increase in state revenue in FY25-26 of \$2,042,553 (\$194 business charters + \$1,350,034 tax collection + \$692,325 franchise tax collection).
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$2,723,339 (\$194 business charters + \$1,800,045 tax collection + \$923,100 franchise tax collection).

General Fund – Expenditures:

- There will be an increase in state expenditures in FY23-24 of \$1,468,003 (\$109,065 DOR auditor + \$1,358,968 DOA positions).
- There will be a recurring increase in state expenditures in FY25-26 and subsequent years of \$1,447,633 (\$107,865 DOR auditor + \$1,339,768 DOA positions).

Tennessee Medical Cannabis Program Fund:

- There will be an increase in state revenue to the Fund in FY23-24 of \$1,560,000 in licenses.
- There will be an increase in state expenditures from the Fund in FY23-24 of \$1,808,882 for Commission expenses.
- There will be an increase in state revenue in FY24-25 of \$8,460,880 (\$130,000 licenses + \$692,325 excise tax collection + \$3,738,555 tax collection + \$3,900,000 cards).
- There will be an increase in state expenditures in FY24-25 of \$969,230 (\$179,100 card printing + \$790,130 Commission expenses).
- There will be an increase in state revenue in FY25-26 of \$14,496,545 (\$130,000 licenses + \$11,215,665 tax collection + \$1,950,000 cards).
- There will be a recurring increase in state expenditures in FY25-26 of \$849,830 (\$59,700 card printing + \$790,130).
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$21,753,520 (\$130,000 licenses + \$2,769,300 excise tax collection + \$14,954,220 tax collection + \$3,900,000 cards).
- There will be an increase in state expenditures in FY26-27 and subsequent years of \$909,530 (\$119,400 card printing + \$790,130 Commission expenses).

Secretary of State's Office:

- There will be an increase in state revenue in FY23-24 of \$72.
- There will be a recurring increase in state revenue in FY24-25 and subsequent years of \$6.

Department of Agriculture:

- There will be an increase in state revenue in FY24-25 of \$2,076,975 in tax collection.
- There will be an increase in state revenue in FY25-26 of \$6,230,925 in tax collection.
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$8,307,900 in tax collection.

Peace Officer Standards and Training Commission (POST):

- There will be an increase in state revenue in FY24-25 of \$415,395 in tax collection.
- There will be an increase in state revenue in FY25-26 of \$1,246,185 in tax collection.
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$1,661,580 in tax collection.

Department of Veterans Services:

- There will be an increase in state revenue in FY24-25 of \$415,395 in tax collection.
- There will be an increase in state revenue in FY25-26 of \$1,246,185 in tax collection.
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$1,661,580 in tax collection.

Department of Economic and Community Development:

- There will be an increase in state revenue in FY24-25 of \$1,661,580 in tax collection.
- There will be an increase in state revenue in FY25-26 of \$4,984,740 in tax collection.
- There will be a recurring increase in state revenue in FY26-27 and subsequent years of \$6,646,320 in tax collection.

Tennessee Bureau of Investigation:

- There will be an increase in state revenue in FY23-24 of \$8,916 in background checks.
- There will be an increase in state expenditures in FY23-24 of \$5,736 in background checks.
- There will be a recurring increase in state revenue in FY24-25 and subsequent years of \$743 in background checks.
- There will be a recurring increase in state expenditures in FY24-25 and subsequent years of \$478 in background checks.

Incarceration:

- This legislation limits the uses of cannabis to certain cannabis-infused products.
- It is assumed that this legislation may result in a decrease in state and local expenditures by decreasing jail time for certain defendants; however, due to the limiting nature of this legislation, any impact cannot be determined with reasonable certainty.

Local Government:

- There will be a permissive increase in local revenue in FY24-25 of \$1,938,510 in tax collection.
- There will be a permissive increase in local revenue in FY25-26 of \$5,815,530 in tax collection.
- There will be a permissive increase in local revenue in FY26-27 and subsequent years of \$7,754,040 in tax collection.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jb